

City of Ypsilanti, Michigan

Financial Report with Supplemental Information June 30, 2003

City of Ypsilanti, Michigan

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Ypsilanti, Michigan

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ypsilanti, as of and for the year ended June 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Ypsilanti's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position, and cash flows where applicable, of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ypsilanti as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, retirement system schedules of funding progress and employer contributions, and the budgetary comparison schedules as identified in the table of contents are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

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To the Honorable Mayor and
Members of the City Council
City of Ypsilanti, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ypsilanti's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also separately issued our report on our consideration of the City of Ypsilanti's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of the audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 14, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of July 1, 2002.

Plante & Moran, PLLC

October 22, 2003

City of Ypsilanti, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Ypsilanti's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2003. Please read it in conjunction with the City's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2003:

- State-shared revenue, our second largest revenue source in the General Fund, was reduced by the State of Michigan by approximately \$360,000 this year. The City reacted by imposing a mandatory department budget reduction from 3 percent to 10 percent; froze the hiring of police officers; and eliminated the training budget, all of which resulted in maintaining the fund balance near prior year level.
- The City began a long-term investment in its road infrastructure by issuing the last portion of the general obligation road bonds; general obligation taxable capital improvement bonds for water street project; and Ypsilanti Community Utilities Authority (YCUA) water and sewer revenue bonds.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

City of Ypsilanti, Michigan

Management's Discussion and Analysis (Continued)

The City as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year (in thousands of dollars):

TABLE I

	Governmental Activities	
	2003	2002
	(in thousands)	
Assets		
Current assets	\$ 35,761	\$ 27,929
Noncurrent assets	<u>62,305</u>	<u>37,817</u>
Total assets	98,066	65,746
Liabilities		
Current liabilities	6,333	7,525
Long-term liabilities	<u>52,327</u>	<u>20,429</u>
Total liabilities	<u>58,660</u>	<u>27,954</u>
Net Assets	<u><u>\$ 39,406</u></u>	<u><u>\$ 37,792</u></u>

The City's combined net assets increased approximately 4.3 percent from a year ago. In addition, there were large increases in total assets and total liabilities due to the issuance of various bonds and debt in the current year due to the investment in various capital improvements in the community.

City of Ypsilanti, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets during the current year (in thousands of dollars):

TABLE 2

	Governmental Activities <u>(in thousands)</u>
Revenue	
Program revenue:	
Charges for services	\$ 1,521
Operating grants and contributions	3,162
Capital grants and contributions	2,250
General revenue:	
Property taxes	9,197
State-shared revenue	3,668
Unrestricted investment earnings	457
Franchise fees	173
Special item - Gain on sale of capital assets and land	<u>28</u>
Total revenue	20,456
Program Expenses	
General government	1,581
Public safety	6,584
Community maintenance	6,865
Highways, streets, and bridges	617
Culture and recreation	1,012
Health and welfare	569
Interest on long-term debt	<u>1,614</u>
Total program expenses	<u>18,842</u>
Change in Net Assets	<u><u>\$ 1,614</u></u>

The City's net assets increased during the current year as a result of various factors. The total governmental revenues increased, despite decreases in State-shared revenue, building permits, and interest income. The increase was primarily due to the continuing increase in property taxes as a result of growth in the City's taxable values. On the other hand, some expenses increased during the year. These were led by large increases in health care costs and property insurance rates. To offset this, the City closely monitored its spending in all other areas throughout the year. Purchases of police cars were postponed, office supply spending was limited, and various other spending was cut by all departments, including leaving positions vacant due to attrition. As a result, net assets during the year grew by approximately \$1,614,000.

City of Ypsilanti, Michigan

Management's Discussion and Analysis (Continued)

The City's Funds

Our analysis of the City's major funds follows the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages.

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events occurring during the year. The most significant change was the decrease of State-shared revenue, coupled with the decreased of cable television franchise fees and building permit revenues. The proceeds from the sale of the Towne Center Building of \$500,000 helped the City to balance the budget.

City departments overall stayed below budget, resulting in total expenditures being below the amended budget. This allowed the General Fund's fund balance to remain relatively the same as in the prior year.

Capital Asset and Debt Administration

At the end of 2003, the City had over \$16,000,000 invested in a broad range of capital assets, including land, land improvements, sidewalks, police and fire equipment, various other vehicles and equipment, and roads. In addition, the City had approximately \$21,600,000 invested in the YCUA joint venture as explained in Note 11.

Moody's investor services assigned an excellent debt rating for the City. They stated the rating reflects the City's stable economic base, continued planned debt issuance, and the trend of a stable, well-managed financial operation.

Economic Factors and Next Year's Budgets and Rates

The City's budget for next year calls for the closing of the recreation department. However, due to the hard work of recreation staff and donations from concerned citizens and businesses, the City managed to have the recreation program open possibly through the end of fiscal year. Property tax revenues are projected to increase approximately 3 percent. This can be accomplished because of the strong growth in our tax base. However, because of the impact of Proposal A, the City needs to continue to watch its budget very closely. The state-wide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the City will grow by less than inflation, before considering new property additions.

City of Ypsilanti, Michigan

Management's Discussion and Analysis (Continued)

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Clerk's office at 734.483.1100.

City of Ypsilanti, Michigan

Statement of Net Assets June 30, 2003

	Primary Government <u>Governmental</u> Activities	Component Units
Assets		
Cash and cash equivalents (Note 3)	\$ 31,486,810	\$ 528,848
Land/Building held for resale - At cost (Note 13)	3,063,939	-
Receivables:		
Special assessments	124,581	-
Accrued interest and other	27,977	20,000
Due from component units	10,904	10,000
Due from other governmental units	1,396,958	-
Lease receivable (Note 11)	21,571,664	-
Prepaid expenses and other assets	5,437	-
Inventory	88,086	-
Restricted assets (Note 3)	2,620,048	-
Investment in joint venture (Note 11)	21,598,408	-
Capital assets - Net (Note 5)	<u>16,070,675</u>	<u>2,949,927</u>
Total assets	98,065,487	3,508,775
Liabilities		
Accounts payable	2,465,346	12,778
Accrued and other liabilities	1,020,847	1,007
Due to component units	-	10,000
Due to other governmental units	75,732	84,389
Due to primary government	-	10,904
Deferred revenue (Note 4)	1,011,168	3,520
Noncurrent liabilities (Note 8):		
Due within one year	1,759,696	192,997
Due in more than one year	<u>52,327,020</u>	<u>1,906,065</u>
Total liabilities	<u>58,659,809</u>	<u>2,221,660</u>
Net Assets		
Invested in capital assets - Net of related debt	1,188,191	850,865
Restricted:		
Streets and highways	2,439,662	-
Debt service	3,228,127	-
Capital projects	6,636,683	227,324
Unrestricted	<u>25,913,015</u>	<u>208,926</u>
Total net assets	<u>\$ 39,405,678</u>	<u>\$ 1,287,115</u>

City of Ypsilanti, Michigan

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government - Governmental activities:				
General government	\$ 1,581,277	\$ 354,671	\$ 637,897	\$ 134,192
Public safety	6,583,816	649,394	316,172	-
Community maintenance	6,864,588	456,297	163,289	494,362
Highways, streets, and bridges	617,387	-	1,192,989	689,873
Culture and recreation	1,012,428	60,668	25	35,912
Health and welfare	569,456	-	851,559	-
Interest on long-term debt	1,612,540	-	-	895,428
Total primary government - Governmental activities	<u>\$ 18,841,492</u>	<u>\$ 1,521,030</u>	<u>\$ 3,161,931</u>	<u>\$ 2,249,767</u>
Component units:				
Downtown Development Authority	\$ 267,712	\$ -	\$ 56,000	\$ -
Depot Town Downtown Development Authority	40,627	-	-	-
Economic Development Corporation	180,808	-	162,179	-
Brownfield Redevelopment Authority	200,197	188,596	84,475	-
Total component units	<u>\$ 689,344</u>	<u>\$ 188,596</u>	<u>\$ 302,654</u>	<u>\$ -</u>
General revenues:				
Property taxes (Note 1)				
State-shared revenues				
Unrestricted investment earnings				
Franchise fees				
Special item - Gain (loss) on sale of capital assets and land				
Total general revenues and special item				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2003

Net (Expense)	
Revenue and	
Changes in Net	
Assets	
Primary	
Government	
Governmental	Component
Activities	Units
\$ (454,517)	\$ -
(5,618,250)	-
(5,750,640)	-
1,265,475	-
(915,823)	-
282,103	-
(717,112)	-
(11,908,764)	-
-	(211,712)
-	(40,627)
-	(18,629)
-	72,874
-	(198,094)
9,196,969	279,462
3,668,310	-
456,872	8,788
173,010	-
27,739	(202,277)
13,522,900	85,973
1,614,136	(112,121)
37,791,542	1,399,236
<u>\$ 39,405,678</u>	<u>\$ 1,287,115</u>

City of Ypsilanti, Michigan

	General	Land Revolving	2002 General Obligation Capital Improvement Bonds	2002-A Revenue Bonds - Water
Assets				
Cash and cash equivalents (Note 3)	\$ 2,573,133	\$ 2,110,214	\$ 2,739,728	\$ 1,404,398
Land held for resale - At cost (Note 13)	-	3,063,939	-	-
Receivables:				
Special assessments	72,824	-	-	-
Accrued interest and other	25,125	-	-	-
Due from other funds (Note 6)	55,395	221,741	-	823,244
Due from component units	10,904	-	-	-
Due from other governmental units	425,578	24,805	-	-
Inventory	75,491	-	-	-
Restricted assets (Note 3)	-	-	484,060	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 3,238,450</u>	<u>\$ 5,420,699</u>	<u>\$ 3,223,788</u>	<u>\$ 2,227,642</u>
Liabilities and Fund Balances (Deficit)				
Liabilities				
Accounts payable	\$ 106,208	\$ -	\$ -	\$ 1,042,630
Accrued and other liabilities	228,241	-	-	-
Due to other funds (Note 6)	16,583	-	125,850	76,317
Due to other governmental units	68,426	-	-	-
Deferred revenue (Note 4)	141,193	782,431	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	560,651	782,431	125,850	1,118,947
Fund Balances (Deficit)				
Reserved:				
Unspent bond proceeds	-	-	2,613,878	1,108,695
Land held for resale	-	3,063,939	-	-
Debt service	-	-	484,060	-
Capital projects (Note 5)	-	-	-	-
Unreserved, reported in:				
General Fund	2,677,799	-	-	-
Special Revenue Funds	-	-	-	-
Debt Service Funds	-	-	-	-
Capital Projects Funds	-	1,574,329	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances (deficit)	2,677,799	4,638,268	3,097,938	1,108,695
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances (deficit)	<u>\$ 3,238,450</u>	<u>\$ 5,420,699</u>	<u>\$ 3,223,788</u>	<u>\$ 2,227,642</u>

**Governmental Funds
Balance Sheet
June 30, 2003**

2002-C Water and Sewer Construction	2003 General Obligation Construction	2003-D Water Supply and Sewage	2003-A Water and Sewer Bonds	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 8,292,279	\$ -	\$ -	\$ 11,291,340	\$ 28,411,092
-	-	-	-	-	3,063,939
-	-	-	-	51,757	124,581
-	-	-	-	2,852	27,977
-	-	-	-	817,868	1,918,248
-	-	-	-	-	10,904
-	-	-	-	220,878	671,261
-	-	-	-	-	75,491
-	-	-	-	2,135,988	2,620,048
<u>\$ -</u>	<u>\$ 8,292,279</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,520,683</u>	<u>\$ 36,923,541</u>
\$ -	\$ 41,810	\$ 516,642	\$ -	\$ 749,010	\$ 2,456,300
-	-	-	-	191,926	420,167
-	284,902	881,199	-	533,397	1,918,248
-	-	-	-	7,306	75,732
-	-	-	-	219,871	1,143,495
-	326,712	1,397,841	-	1,701,510	6,013,942
-	-	-	-	2,914,110	6,636,683
-	-	-	-	-	3,063,939
-	-	-	-	2,135,988	2,620,048
-	7,965,567	-	-	2,840,741	10,806,308
-	-	-	-	-	2,677,799
-	-	-	-	3,729,772	3,729,772
-	-	-	-	608,079	608,079
-	-	(1,397,841)	-	590,483	766,971
-	7,965,567	(1,397,841)	-	12,819,173	30,909,599
<u>\$ -</u>	<u>\$ 8,292,279</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,520,683</u>	<u>\$ 36,923,541</u>

City of Ypsilanti, Michigan

Governmental Funds Reconciliation of Fund Balances to the Statement of Net Assets Year Ended June 30, 2003

Total Fund Balances for Governmental Funds	\$ 30,909,599
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	14,368,129
Lease receivable from joint venture is not a financial resource and is not reported in the funds	21,571,664
Revenue-sharing revenue due from State not received within 60 days of year end is not available currently and is not reported in the funds	725,697
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	124,581
Grants not received within 60 days of year end are not available currently and are not reported in the funds	7,746
Compensated absences are not due and payable in the current period and are not reported in the funds	(922,288)
Interest amounts on long-term liabilities are not payable until due in the funds	(600,680)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(52,808,758)
Investment in joint venture is not a financial resource and is not reported in the funds	21,598,408
Internal Service Fund - Workers' Compensation is included as part of governmental activities	896,488
Internal Service Fund - Motor Pool is included as part of governmental activities	<u>3,535,092</u>
Change in Net Assets of Governmental Activities	<u>\$ 39,405,678</u>

City of Ypsilanti, Michigan

	General	Land Revolving	2002 General Obligation Capital Improvement Bonds	2002-A Revenue Bonds- Water
Revenue				
Property taxes	\$ 8,245,472	\$ -	\$ -	\$ -
State-shared revenue	3,451,016	-	-	-
Federal grants	80,186	-	-	-
State grants	84,129	383,322	-	-
Licenses and permits	553,615	-	-	-
Charges for services	776,047	-	-	-
Other revenue	1,124,886	17,557	39,304	47,508
Total revenue	14,315,351	400,879	39,304	47,508
Expenditures				
General administration	2,189,201	-	-	-
Public safety	7,330,614	-	-	-
Community maintenance	2,242,220	225,728	321,952	3,561
Culture and recreation	1,042,526	-	-	-
Social services	174,930	-	-	-
Highways, streets, and bridges	-	-	-	-
Other	888,195	-	-	-
Debt administration	-	85,338	-	-
Total expenditures	13,867,686	311,066	321,952	3,561
Excess of Revenue Over (Under) Expenditures	447,665	89,813	(282,648)	43,947
Other Financing Sources (Uses)				
Transfers in (Note 6)	-	724,136	-	-
Transfers out (Note 6)	(428,315)	-	(619,414)	-
Transfers to component units	(94,226)	-	-	-
Contributions from YCUA	-	-	-	-
Contributions to YCUA	-	-	-	(3,309,334)
Issuance of debt	-	1,170,580	4,000,000	-
Total other financing sources (uses)	(522,541)	1,894,716	3,380,586	(3,309,334)
Net Change in Fund Balances	(74,876)	1,984,529	3,097,938	(3,265,387)
Fund Balances - Beginning of year	2,752,675	2,653,739	-	4,374,082
Fund Balances (Deficit) - End of year	\$ 2,677,799	\$ 4,638,268	\$ 3,097,938	\$ 1,108,695

Governmental Funds
Statement of Revenue, Expenditures,
and Changes in Fund Balances (Deficit)
Year Ended June 30, 2003

2002-C Water and Sewer Construction	2003 General Obligation Construction	2003-D Water Supply and Sewage	2003-A Water and Sewer Bonds	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 998,497	\$ 9,243,969
-	-	-	-	1,241,258	4,692,274
-	689,873	-	-	53,457	823,516
-	-	-	-	-	467,451
-	-	-	-	-	553,615
-	-	-	-	-	776,047
173	50,061	-	-	1,463,471	2,742,960
173	739,934	-	-	3,756,683	19,299,832
-	-	-	-	589,606	2,778,807
-	-	-	-	362	7,330,976
-	-	-	-	4,290,601	7,084,062
-	-	-	-	-	1,042,526
-	-	-	-	23,050	197,980
-	1,239,367	-	-	1,118,608	2,357,975
-	-	-	-	1,109,915	1,998,110
288	-	-	-	1,677,979	1,763,605
288	1,239,367	-	-	8,810,121	24,554,041
(115)	(499,433)	-	-	(5,053,438)	(5,254,209)
-	-	-	-	1,882,368	2,606,504
(611,413)	-	-	-	(972,362)	(2,631,504)
-	-	-	-	-	(94,226)
-	-	-	-	900,428	900,428
(8,048,472)	-	(1,397,841)	(4,800,000)	(776,745)	(18,332,392)
8,660,000	8,465,000	-	4,800,000	6,693,324	33,788,904
115	8,465,000	(1,397,841)	-	7,727,013	16,237,714
-	7,965,567	(1,397,841)	-	2,673,575	10,983,505
-	-	-	-	10,145,598	19,926,094
<u>\$ -</u>	<u>\$ 7,965,567</u>	<u>\$ (1,397,841)</u>	<u>\$ -</u>	<u>\$ 12,819,173</u>	<u>\$ 30,909,599</u>

City of Ypsilanti, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities Year Ended June 30, 2003

Net Change in Fund Balances - Total Governmental Funds	\$ 10,983,505
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	4,091,435
Revenue-sharing revenues are recorded in the statement of activities when the revenue is earned; they are not reported in the funds until collected or collectible within 60 days of year end	159,859
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	25,934
Grant revenues are recorded in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end	7,746
Receipt of amount from joint venture for payment of bonds is reported as revenue when received in the governmental funds and as the reduction of a receivable in the statement of activities	(5,000)
Payment to joint venture from the issuance of bonds is reported as expense when paid in the governmental funds and as an addition of a receivable in the statement of activities	18,365,160
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	974,696
Accrued interest payable is recorded when due in governmental funds	(402,528)
Bond proceeds are not reported as financing sources on the statement of activities	(33,788,904)
Increase in accumulated employee sick and vacation pay, as well as estimated general liability claims, is recorded when earned in the statement of activities	(107,585)
Equity interest in joint venture is not reported in the governmental funds	777,316
Internal Service Fund - Workers' Compensation is also included as governmental activities	(51,651)
Internal Service Fund - Motor Pool is also included as governmental activities	584,153
Change in Net Assets of Governmental Activities	<u>\$ 1,614,136</u>

City of Ypsilanti, Michigan

Proprietary Funds - Internal Service Funds Combined Statement of Net Assets June 30, 2003

Assets

Current assets:

Cash and cash equivalents (Note 3)	\$ 3,075,718
Prepaid expenses and other assets	5,437
Inventory	<u>12,595</u>

Total current assets 3,093,750

Noncurrent assets - Capital assets 1,702,546

Total assets 4,796,296

Liabilities

Current liabilities:

Accrued and other liabilities	9,046
Current portion of long-term debt	<u>154,030</u>

Total current liabilities 163,076

Noncurrent liabilities - Long-term debt - Net of current portion 201,640

Total liabilities 364,716

Net Assets

Investment in capital assets - Net of related debt	1,631,259
Unrestricted	<u>2,800,321</u>

Total net assets \$ 4,431,580

City of Ypsilanti, Michigan

Proprietary Funds - Internal Service Funds Combined Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2003

Operating Revenue	
Equipment rental	\$ 1,377,937
Other	<u>199,964</u>
Total operating revenue	1,577,901
Operating Expenses	
Salaries and fringes	97,248
Gas, oil, and fuel	74,647
Depreciation	402,527
Operation and maintenance	115,347
Contractual services and fees	236,002
Insurance, claims, and other	<u>206,831</u>
Total operating expenses	<u>1,132,602</u>
Operating Income	445,299
Nonoperating Revenue (Expense)	
Interest income	39,440
Interest expense	(4,976)
Gain on disposal of assets	<u>27,739</u>
Total nonoperating revenue	<u>62,203</u>
Income - Before transfers	507,502
Transfers from Other Funds (Note 6)	<u>25,000</u>
Change in Net Assets	532,502
Net Assets - Beginning of year	<u>3,899,078</u>
Net Assets - End of year	<u><u>\$ 4,431,580</u></u>

City of Ypsilanti, Michigan

Proprietary Funds - Internal Service Funds Combined Statement of Cash Flows Year Ended June 30, 2003

Cash Flows from Operating Activities	
Receipts from customers	\$ 1,377,937
Payments to suppliers and vendors	(493,734)
Payments to employees	(92,485)
Internal activity - Payments to other funds	(3,937)
Claims paid	(116,413)
Other receipts	<u>199,964</u>
Net cash provided by operating activities	871,332
Cash Flows from Capital and Related Financing Activities	
Proceeds from sale of capital assets	32,687
Purchase of capital assets	(592,226)
Principal and interest paid on capital debt	<u>(26,358)</u>
Net cash used in capital and related financing activities	(585,897)
Cash Flows from Investing Activities - Interest received	<u>39,440</u>
Net Increase in Cash and Cash Equivalents	324,875
Cash and Cash Equivalents - Beginning of year	<u>2,750,843</u>
Cash and Cash Equivalents - End of year	<u><u>\$ 3,075,718</u></u>
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 445,299
Adjustments to reconcile operating income to net cash from operating activities:	
Contributions from other funds	25,000
Depreciation and amortization	402,527
Changes in assets and liabilities:	
Due from other funds	3,133
Prepaid and other assets	(1,718)
Inventory	(4,034)
Due to other funds	(32,070)
Accrued and other liabilities	<u>33,195</u>
Net cash provided by operating activities	<u><u>\$ 871,332</u></u>

City of Ypsilanti, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2003

	Police and Fire Retirement System	Trust and Agency Fund
Assets		
Cash and cash equivalents (Note 3)	\$ 393,112	\$ 105,677
Investments (Note 3)	26,025,288	-
Receivables - Interest and dividends	122,764	-
	<hr/>	<hr/>
Total assets	26,541,164	<u>\$ 105,677</u>
Liabilities		
Accounts payable	1,630	\$ -
Accrued and other liabilities	-	105,189
Due to other governmental units	-	488
	<hr/>	<hr/>
Total liabilities	1,630	<u>\$ 105,677</u>
Net Assets - Held in trust for pension and other employee benefits	<u>\$ 26,539,534</u>	

City of Ypsilanti, Michigan

Fiduciary Funds

Statement of Changes in Net Assets - Police and Fire Retirement System Year Ended June 30, 2003

Additions

Investment income (loss):	
Interest, dividends, and other	\$ 866,680
Net decrease in fair value of investments	(379,703)
Investment expenses	<u>(164,374)</u>
Net investment income	322,603
Contributions - Employee	<u>402,699</u>
Total additions	725,302

Deductions

Benefit payments	1,637,801
Refunds of contributions	9,067
Administrative expenses	<u>49,526</u>
Total deductions	<u>1,696,394</u>

Decrease - Before transfers (971,092)

Transfers Out 248,098

Net Decrease in Assets Held for Retirement Benefits (1,219,190)

Net Assets Held in Trust for Retirement Benefits

Beginning of year	<u>27,758,724</u>
End of year	<u><u>\$ 26,539,534</u></u>

City of Ypsilanti, Michigan

Component Units Statement of Net Assets June 30, 2003

	Downtown Development Authority	Depot Town Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority	Total
Assets					
Cash and cash equivalents (Note 3)	\$ 262,564	\$ 33,941	\$ 225,755	\$ 6,588	\$ 528,848
Accounts receivable and other assets	10,000	-	-	10,000	20,000
Due from component units	-	-	10,000	-	10,000
Property, plant, and equipment (Note 5)	<u>954,060</u>	<u>168,000</u>	<u>70,900</u>	<u>1,756,967</u>	<u>2,949,927</u>
Total assets	1,226,624	201,941	306,655	1,773,555	3,508,775
Liabilities					
Accounts payable	9,735	331	-	2,712	12,778
Accrued liabilities and other	1,007	-	-	-	1,007
Due to component units	-	-	-	10,000	10,000
Due to primary government	-	-	-	10,904	10,904
Due to other governmental units	365	11,860	72,164	-	84,389
Deferred revenue	3,020	-	-	500	3,520
Noncurrent liabilities (Note 8):					
Due within one year	35,000	9,979	-	148,018	192,997
Due in more than one year	<u>560,000</u>	<u>170,103</u>	<u>-</u>	<u>1,175,962</u>	<u>1,906,065</u>
Total liabilities	<u>609,127</u>	<u>192,273</u>	<u>72,164</u>	<u>1,348,096</u>	<u>2,221,660</u>
Net Assets					
Investment in capital assets - Net of related debt	359,060	(12,082)	70,900	432,987	850,865
Restricted - Capital projects	227,324	-	-	-	227,324
Unrestricted	<u>31,113</u>	<u>21,750</u>	<u>163,591</u>	<u>(7,528)</u>	<u>208,926</u>
Total net assets	<u>\$ 617,497</u>	<u>\$ 9,668</u>	<u>\$ 234,491</u>	<u>\$ 425,459</u>	<u>\$ 1,287,115</u>

City of Ypsilanti, Michigan

	Program Revenues		
	Expenses	Charges for Services	Operating Grants/ Contributions
Downtown Development Authority	\$ 267,712	\$ -	\$ 56,000
Depot Town Downtown Development Authority	40,627	-	-
Economic Development Corporation	180,808	-	162,179
Brownfield Redevelopment Authority	200,197	188,596	84,475
Total governmental activities	\$ 689,344	\$ 188,596	\$ 302,654

General revenues (expenses):

Property taxes
Interest and other
Special item - Loss on sale of land

Total general revenues (expenses)

Change in Net Assets (Deficit)

Net Assets (Deficit) - Beginning of year

Net Assets - End of year

**Component Units
Statement of Activities
Year Ended June 30, 2003**

Net (Expense) Revenue and Changes in Net Assets				
Downtown Development Authority	Depot Town Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority	Total
\$ (211,712)	\$ -	\$ -	\$ -	\$ (211,712)
-	(40,627)	-	-	(40,627)
-	-	(18,629)	-	(18,629)
-	-	-	72,874	72,874
(211,712)	(40,627)	(18,629)	72,874	(198,094)
217,974	61,488	-	-	279,462
3,546	244	4,998	-	8,788
-	-	(202,277)	-	(202,277)
221,520	61,732	(197,279)	-	85,973
9,808	21,105	(215,908)	72,874	(112,121)
607,689	(11,437)	450,399	352,585	1,399,236
\$ 617,497	\$ 9,668	\$ 234,491	\$ 425,459	\$ 1,287,115

Note I - Summary of Significant Accounting Policies

The accounting policies of the City of Ypsilanti (the “City”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Ypsilanti:

Reporting Entity

The City of Ypsilanti is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City’s operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

Blended Component Units

The Police and Fire Employees’ Retirement System has been blended into the City’s financial statements. The system is governed by a five-member pension board that includes three individuals chosen by the City Council. The system is reported as if it were part of the primary government because of the fiduciary responsibility that the City retains relative to the operations of the retirement system.

Discretely Presented Component Units

The following component units are reported within the component unit column in the combined financial statements. They are reported in a separate column to emphasize that they are legally separate from the City.

- a. The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority’s governing body, which consists of nine individuals, is selected by the City Council. In addition, the Authority’s budget is subject to approval by the City Council. A complete financial report for the Downtown Development Authority is not available.

Note I - Summary of Significant Accounting Policies (Continued)

- b. The Depot Town Downtown Development Authority was created to correct and prevent deterioration in the Depot Town downtown district, encourage historical preservation, and to promote economic growth within the Depot Town downtown district. The Authority's governing body, which consists of nine individuals, is selected by the City Council. In addition, the Authority's budget is subject to approval by the City Council. A complete financial report for the Depot Town Downtown Development Authority is not available.
- c. The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The Corporation's governing body, which consists of nine individuals, is selected by the City Council. A complete financial report for the Economic Development Corporation is not available.
- d. The Brownfield Redevelopment Authority was established pursuant to Public Act 381 of 1996. The Authority was created to promote revitalization of environmentally distressed areas within the boundaries of the City. The Authority is funded primarily by rental revenues. The Authority's governing body, which consists of nine individuals, is selected by the City Council. In addition, the Authority's budget is subject to approval by the City Council. A complete financial report for the Brownfield Redevelopment Authority is not available.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Note I - Summary of Significant Accounting Policies (Continued)

Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Land Revolving Fund - The Land Revolving Fund accounts for activity related to the purchase and development of various properties located within the City. Revenues come from various grants and proceeds from sale of land.

Note I - Summary of Significant Accounting Policies (Continued)

2002 General Obligation Capital Improvement Bonds Fund - The 2002 General Obligation Capital Improvement Bonds Fund accounts for construction activity funded by the Capital Improvement Bonds.

The 2002-A Revenue Bonds - Water, 2002-C Water and Sewer Construction, the 2003 General Obligation Construction, the 2003-D Water Supply and Sewage, and the 2003-A Water and Sewer Bond Funds account for maintenance and construction of specific roads and water projects within the City funded by various bond issues.

Additionally, the City reports the following fund types:

Internal Service Funds - Internal Service Funds account for major machinery and equipment purchases and maintenance, as well as risk management services provided to other departments of the City on a cost reimbursement basis.

Police and Fire Retirement System Fund - The Police and Fire Retirement System Fund accounts for the activities of the police and fire employees' retirement system. This fund accumulates resources for pension benefit payments to qualified police and fire employees through the collection of property tax revenues.

Trust and Agency Fund - The Trust and Agency Fund is used to account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, and other governments. The Fund is custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to other funds of the City for various services. Operating expenses for proprietary funds include the cost of these services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Note I - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value, based on quoted market price.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." All trade receivables are shown net of allowance for uncollectible amounts.

Property Taxes - Property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time they are added to the county tax rolls.

The 2002 taxable valuation of the City totaled approximately \$328,000,000, on which ad valorem taxes levied consisted of 19.0109 mills for the City's operating purposes, 2.8332 mills for sanitation, 1.8162 mills for Police and Fire Retirement System and retiree health care benefits, 0.7972 mills for YCUA contractual obligations, and 2.9510 mills for street improvement debt. The ad valorem taxes raised over \$6,400,000 for operations, approximately \$915,000 for sanitation, \$587,000 for Police and Fire Retirement System and retiree health care benefits, and \$258,000 for YCUA contractual obligations. These amounts are recognized in the General Fund as tax revenue. In addition, the ad valorem taxes raised approximately \$998,000 for street improvement debt reported in the 2001 General Obligations Bonds - Roads Debt Service Fund.

Inventories and Prepaid Items - Inventories in the General and Internal Service Funds are valued at cost, on a first-in, first-out basis, which approximates market value. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Note 1 - Summary of Significant Accounting Policies (Continued)

Restricted Assets - The City's outstanding bond issuances require amounts to be set aside for various upcoming debt service payments. These amounts have been classified as restricted assets.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Infrastructure	15 years
Buildings and improvements	5 to 70 years
Vehicles and equipment	3 to 20 years

Compensated Absences - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide financial statements (see Note 8). A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data - Comparative data is not included in the City's financial statements.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end. The annual budget is prepared by the City management and adopted by the City Council; subsequent amendments are approved by the City Council. During the current year, the budget was amended in a legally permissible manner.

The budget has been adopted on a fund total basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budgets as adopted by the City Council for the General Fund is included in the required supplemental information. This comparison is presented in more detail than the adopted budget for management analysis only. A comparison of the actual results of operations to the Special Revenue Funds budgets as adopted by the City Council is available at the city hall for inspection.

There were no significant budget overruns for the year ended June 30, 2003.

Fund Deficits - The City has accumulated fund deficits in the 2003-C Water Supply and Sewer and 2003-D Water Supply and Sewage Funds due to the timing of expenditures incurred versus bond issuances.

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Construction Code Fees - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction costs, including an allocation of estimated overhead costs. A summary of current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Cumulative surplus - Beginning of year		\$	29,110
Current year building permit revenue			323,703
Related expenses:			
Direct costs	\$	347,672	
Estimated indirect costs		<u>135,958</u>	
Total construction code expenses			<u>483,630</u>
Cumulative shortfall - End of year		\$	<u>(130,817)</u>

Note 3 - Deposits and Investments

The City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The City has designated two banks for the deposit of local unit funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts, CDs, and mutual funds, but not the remainder of State statutory authority as listed above.

The City of Ypsilanti's deposits and investment policies are in accordance with statutory authority.

Note 3 - Deposits and Investments (Continued)

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government	Component Units
Cash and cash equivalents	\$ 31,486,810	\$ 498,789	\$ 31,985,599	\$ 528,848
Investments	-	26,025,288	26,025,288	-
Restricted assets	<u>2,620,048</u>	<u>-</u>	<u>2,620,048</u>	<u>-</u>
Total	<u>\$ 34,106,858</u>	<u>\$ 26,524,077</u>	<u>\$ 60,630,935</u>	<u>\$ 528,848</u>

The breakdown of governmental activities as shown in the fund-based statements is as follows:

	Governmental Funds	Proprietary Funds	Total Governmental Activities
Cash and cash equivalents	\$ 28,411,092	\$ 3,075,718	\$ 31,486,810
Restricted assets	<u>2,620,048</u>	<u>-</u>	<u>2,620,048</u>
Total	<u>\$ 31,031,140</u>	<u>\$ 3,075,718</u>	<u>\$ 34,106,858</u>

The breakdown between deposits and investments for the City is as follows:

	Governmental Activities	Fiduciary Funds	Total Primary Government	Component Units
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 34,102,208	\$ 498,789	\$ 34,600,997	\$ 528,798
Investments in securities, mutual funds, and similar vehicles	-	26,025,288	26,025,288	-
Petty cash or cash on hand	<u>4,650</u>	<u>-</u>	<u>4,650</u>	<u>50</u>
Total	<u>\$ 34,106,858</u>	<u>\$ 26,524,077</u>	<u>\$ 60,630,935</u>	<u>\$ 528,848</u>

Note 3 - Deposits and Investments (Continued)

The bank balance of the City's deposits is \$30,131,883, of which \$300,000 is covered by federal depository insurance and the remainder was uninsured and uncollateralized. The component units' deposits had a bank balance of \$182,748. The federal depository insurance coverage pertains to all of the deposits of the City; hence the specific coverage pertaining to the component units, if any, is not determinable.

Investments are categorized into these three categories of credit risk:

Category 1 - Insured or registered, with securities held by the City or its agent in the City's name;

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name; and

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

At year end, the City's investment balances were categorized as follows:

	Category			Reported Amount (Fair Value)
	1	2	3	
Primary government:				
U.S. government securities	\$ -	\$ 3,253,660	\$ -	\$ 3,253,660
Corporate bonds	-	6,449,421	-	6,449,421
Corporate stocks	-	14,933,410	-	14,933,410
Subtotal	-	24,636,491	-	24,636,491
Investments not subject to categorization - Mutual funds	-	-	-	1,388,797
Total primary government	\$ -	\$ 24,636,491	\$ -	\$ 26,025,288

Mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. The mutual funds are registered with the SEC.

Note 4 - Receivables/Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Special assessments	\$ 124,581	\$ -
Grant not received within 60 days of year end	7,746	-
Grant received prior to meeting all eligibility requirements	-	1,011,168
Total	<u>\$ 132,327</u>	<u>\$ 1,011,168</u>

Note 5 - Capital Assets

Capital asset activity of the City's governmental activities was as follows:

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2003</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 755,585	\$ -	\$ -	\$ 755,585
Construction in progress	-	2,492,623	-	2,492,623
Subtotal	755,585	2,492,623	-	3,248,208
Capital assets being depreciated:				
Infrastructure	15,742,641	1,581,574	-	17,324,215
Buildings and improvements	4,904,222	810,119	-	5,714,341
Vehicles and equipment	5,550,134	661,637	321,823	5,889,948
Subtotal	26,196,997	3,053,330	321,823	28,928,504
Accumulated depreciation:				
Infrastructure	10,065,825	523,626	-	10,589,451
Buildings and improvements	1,667,556	137,913	-	1,805,469
Vehicles and equipment	3,424,712	603,280	316,875	3,711,117
Subtotal	15,158,093	1,264,819	316,875	16,106,037
Net capital assets being depreciated	11,038,904	1,788,511	4,948	12,822,467
Net capital assets	<u>\$ 11,794,489</u>	<u>\$ 4,281,134</u>	<u>\$ 4,948</u>	<u>\$ 16,070,675</u>

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 115,187
Public safety	301,459
Community maintenance	395,652
Highways, streets, and bridges	368,314
Culture and recreation	<u>84,207</u>
 Total governmental activities	 <u>\$ 1,264,819</u>

Construction Commitments - The City has various active construction projects at year end. The City's construction projects include the 2001 Paving Unlimited Tax and the 2003 Unlimited Tax bond issuances, which are being used for a variety of major and local road improvements. At year end, the City's commitments with contractors are as follows:

	<u>Total Commitment</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Major and local road improvements (2001 Paving Unlimited Tax Bonds)	\$ 8,465,000	\$ 5,624,259	\$ 2,840,741
Major and local road improvements (2003 Unlimited Tax Bonds)	<u>8,465,000</u>	<u>499,433</u>	<u>7,965,567</u>
Total	<u>\$ 16,930,000</u>	<u>\$ 6,123,692</u>	<u>\$ 10,806,308</u>

In addition, the City issued \$15,445,000 of debt in the current year for various improvements to the YCUA plant (see Note 11). The proceeds of the debt were directly forwarded to YCUA, which is responsible for administering the improvements and for paying the debt service requirements.

Note 5 - Capital Assets (Continued)

Capital asset activity of the City's component unit activities was as follows:

	Balance July 1, 2002	Additions	Disposals and Adjustments	Balance June 30, 2003
Component units:				
Capital assets not being depreciated -				
Land	\$ 273,177	\$ -	\$ 202,277	\$ 70,900
Capital assets being depreciated -				
Buildings and improvements	3,481,306	10,904	-	3,492,210
Accumulated depreciation -				
Buildings and improvements	<u>521,923</u>	<u>91,260</u>	<u>-</u>	<u>613,183</u>
Net capital assets being depreciated	<u>2,959,383</u>	<u>(80,356)</u>	<u>-</u>	<u>2,879,027</u>
Net capital assets	<u>\$ 3,232,560</u>	<u>\$ (80,356)</u>	<u>\$ 202,277</u>	<u>\$ 2,949,927</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	2003-D Water Supply and Sewage	\$ 55,395
2001 General Obligation Bonds - Roads	2002-A Revenue Bonds - Water	76,317
	2003-D Water Supply and Sewage	2,560
	2003-B Water and Sewer Revenue Bonds	<u>52,256</u>
	Total 2001 General Obligation Bonds - Roads	131,133
2002 General Obligation Bonds - Roads	General Fund	10,635
2002-A Revenue Bonds - Water	2003-D Water Supply and Sewage	823,244
Capital Improvement Reserve	2003 General Obligation Construction	258,399
	2001 General Obligation Bonds - Roads	<u>19,657</u>
Total Capital Improvement Reserve		278,056
Community Development Block Grant	2003 General Obligation Construction	26,503
	2002 General Obligation Capital Improvement Bonds	125,850
	Capital Improvement Reserve	<u>41,968</u>
Total Community Development Block Grant		194,321
Land Revolving	Community Development Block Grant	221,741
Local Streets	General Fund	2,790
Major Streets	General Fund	3,158
	Capital Improvement Reserve	<u>197,775</u>
Total Major Streets		<u>200,933</u>
Total		<u>\$ 1,918,248</u>

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund Transfers

	Transfers Out				Total
	General Fund	2002-C Water and Sewer Construction Fund	2002 General Obligation Capital Improvement Bonds Fund	Other Nonmajor Governmental Funds	
Transfers in:					
Land Revolving Fund (1)	\$ -	\$ -	\$ -	\$ 724,136	\$ 724,136
Other nonmajor governmental funds (1) (2)	428,315	611,413	619,414	223,226	1,882,368
Internal Service Funds (1)	-	-	-	25,000	25,000
Total	<u>\$ 428,315</u>	<u>\$ 611,413</u>	<u>\$ 619,414</u>	<u>\$ 972,362</u>	<u>\$ 2,631,504</u>

The following describes the nature of the transfers:

- (1) Transfers for capital improvements and expenditures
- (2) Transfers for debt service

Note 7 - Contingency

The City is a defendant in several property tax appeal lawsuits. The amount of the liability to the City is indeterminable as of year end; however, an unfavorable outcome could have a material impact on the City's financial position. No provision has been made in the accompanying financial statements for potential liabilities, if any, which may arise from these remaining suits and asserted claims.

Note 8 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. The Water and Sewer revenue bonds involve a pledge of specific income from YCUA (see Note 11) derived from the acquired or constructed assets to pay the debt service.

Note 8 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental activities:						
General obligation bonds:						
2001 Paving Unlimited Tax Bonds						
Amount of Issue - \$8,465,000		\$360,000 -				
Maturing through 2017	4.00% - 4.75%	\$710,000	\$ 7,875,000	\$ (640,000)	\$ 7,235,000	\$ 360,000
2002 Taxable Capital Improvement Bonds						
Amount of Issue - \$4,000,000		\$255,000 -				
Maturing through 2017	3.85% - 5.90%	\$440,000	-	4,000,000	4,000,000	-
2002 Limited Tax Capital Improvement Bonds						
Amount of Issue - \$400,000		\$20,000 -				
Maturing through 2017	3.00% - 4.60%	\$35,000	-	400,000	400,000	20,000
2003 Unlimited Tax Bonds						
Amount of Issue - \$8,465,000		\$310,000 -				
Maturing through 2018	2.38% - 4.38%	\$815,000	-	8,465,000	8,465,000	310,000
2003 Taxable Capital Improvement Bonds						
Amount of Issue - \$2,000,000		\$35,000 -				
Maturing through 2023	3.50% - 5.00%	\$210,000	-	2,000,000	2,000,000	-
2003 CDBG Loan						
Amount of Issue - \$2,308,324		\$119,006 -				
Amount of total draw available - \$2,750,000		\$199,655	-	2,308,324	2,308,324	-
Maturing through 2025	4.00%					
Revenue bonds:						
2001 Water & Sewer System						
Amount of Issue - \$4,000,000		\$20,000 -				
Maturing through 2027	4.00% - 6.00%	\$345,000	4,000,000	-	4,000,000	20,000
2002-A Water & Sewer System						
Amount of Issue - \$5,000,000		\$30,000 -				
Maturing through 2027	4.00% - 5.00%	\$415,000	5,000,000	-	5,000,000	30,000
2002-B Water & Sewer System						
Amount of Issue - \$485,000		\$20,000 -				
Maturing through 2021	2.50%	\$30,000	-	480,000	480,000	20,000
2002-C Water & Sewer System						
Amount of Issue - \$8,660,000		\$190,000 -				
Maturing through 2027	4.00% - 5.00%	\$585,000	-	8,660,000	8,660,000	190,000
2003-A Water & Sewer System						
Amount of Issue - \$4,800,000		\$95,000 -				
Maturing through 2014	1.20% - 4.10%	\$525,000	-	4,800,000	4,800,000	-
2003-B Water & Sewer System						
Amount of Issue - \$1,500,000		\$25,000 -				
Maturing through 2023	3.50% - 4.25%	\$145,000	-	1,500,000	1,500,000	-
County contractual obligations:						
YCUA Washtenaw County Series I *						
Maturing through 2007	5.00% - 5.10%	\$74,788 - \$228,371	1,016,381	(231,042)	785,339	228,371
YCUA Washtenaw County Series II *						
Maturing through 2007	3.90% - 4.20%	\$48,078	176,685	(22,704)	153,981	26,710
Installation purchase agreement -						
2000 DPW Office and City Hall						
Amount of Issue - \$835,000		\$76,133 -				
Maturing through 2010	5.44%	\$105,059	701,805	(72,153)	629,652	76,133

* Debt service requirements are determined annually based on contractual provisions. Therefore, amount due within one year and the total amount due are estimates based on prior payments made.

Note 8 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental activities (Continued):						
Land contracts:						
2002 2 E. Michigan Ave Contract						
Amount of Issue - \$218,500		\$22,000 -				
Maturing through 2012	4.25% - 6.25%	\$33,500	\$ 218,500	\$ -	\$ 218,500	\$ -
2002 32 Water Street Contract						
Amount of Issue - \$93,150		\$9,520 -				
Maturing through 2012	4.25% - 6.25%	\$14,517	93,150	-	93,150	-
2002 23 Water St./20 E. Michigan Ave Contract						
Amount of Issue - \$913,030		\$93,128 -				
Maturing through 2012	4.25% - 6.25%	\$142,539	913,030	-	913,030	-
2002 34,36, 40 Water Street Contract						
Amount of Issue - \$484,175		\$48,000 -				
Maturing through 2012	5.75% - 6.25%	\$74,175	-	484,175	484,175	-
2002 160 E. Michigan Ave Contract						
Amount of Issue - \$91,117		\$9,000 -				
Maturing through 2012	5.75% - 6.25%	\$14,117	-	91,117	91,117	-
2002 170 E. Michigan Ave Contract						
Amount of Issue - \$212,500		\$21,000 -				
Maturing through 2012	5.75% - 6.25%	\$32,500	-	212,500	212,500	-
2003 33 Water Street Contract						
Amount of Issue - \$92,000		\$9,402 -				
Maturing through 2012	5.75% - 6.25%	\$14,338	-	92,000	92,000	-
2003 6-8 Michigan Ave Contract						
Amount of Issue - \$178,395		\$18,000 -				
Maturing through 2012	5.75% - 6.25%	\$27,395	-	178,395	178,395	-
2003 35-47 Water Street Contract						
Amount of Issue - \$112,393		\$12,000 -				
Maturing through 2012	5.75% - 6.25%	\$16,000	-	108,595	108,595	-
Capital lease - 1996 Fire Truck						
Amount of Issue - \$199,924		\$22,530 -				
Maturing through 2006	5.20% - 5.30%	\$25,015	92,669	(21,382)	71,287	22,530
Total bonds and other obligations			20,087,220	32,792,825	52,880,045	1,303,744
Other long-term obligations:						
Workers' compensation unpaid claims (Note 9)			260,234	24,149	284,383	131,500
Accumulated employee benefits			814,703	107,585	922,288	324,452
Total other long-term obligations			1,074,937	131,734	1,206,671	455,952
Total governmental activities			\$ 21,162,157	\$ 32,924,559	\$ 54,086,716	\$ 1,759,696

Note 8 - Long-term Debt (Continued)

Component unit long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Component unit activities:						
General obligation bonds:						
1994 Downtown Development Limited Tax G.O. Bonds						
Amount of Issue - \$825,000		\$35,000 -				
Maturing through 2014	5.60% - 6.40%	\$80,000	\$ 625,000	\$ 30,000	\$ 595,000	\$ 35,000
Revenue bonds:						
2000 Depot Town Downtown Development Authority Tax Increment Revenue Bond						
Amount of Issue - \$210,000		\$9,979 -				
Maturing through 2016	6.00%	\$19,275	189,480	9,398	180,082	9,979
Land contract - 2000 Brownfield Development Authority Contract						
Amount of Issue - \$1,658,431		\$148,018 -				
Maturing through 2005	prime +.50	\$1,175,962	1,480,002	156,022	1,323,980	148,018
Total component unit activities			\$ 2,294,482	\$ 195,420	\$ 2,099,062	\$ 192,997

Annual debt service requirements to maturity for the above bond and note obligations are as follows:

	Governmental Activities			Component Units		
	Principal	Interest	Total	Principal	Interest	Total
2004	\$ 1,303,744	\$ 2,205,531	\$ 3,509,275	\$ 192,997	\$ 113,460	\$ 306,457
2005	1,767,879	2,149,661	3,917,540	1,226,556	93,771	1,320,327
2006	1,872,476	2,079,549	3,952,025	51,248	41,919	93,167
2007	2,488,657	2,036,828	4,525,485	56,941	38,826	95,767
2008	2,449,700	1,952,502	4,402,202	62,678	35,344	98,022
2009-2013	13,873,337	8,569,493	22,442,830	381,132	113,841	494,973
2014-2018	14,387,870	5,820,578	20,208,448	127,510	8,892	136,402
2019-2023	8,374,837	3,485,532	11,860,369	-	-	-
2024-2028	6,361,545	756,726	7,118,271	-	-	-
Total	\$ 52,880,045	\$ 29,056,400	\$ 81,936,445	\$ 2,099,062	\$ 446,053	\$ 2,545,115

Note 9 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical claims, and participates in the Michigan Municipal League Liability and Property Pool for claims relating to property and general liability; the City is partially uninsured for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The City estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	2003	2002
Unpaid claims - Beginning of year	\$ 260,234	\$ 242,340
Incurred claims (including claims incurred but not reported)	148,112	85,953
Claim payments	<u>(123,963)</u>	<u>(68,059)</u>
Unpaid claims - End of year	<u>\$ 284,383</u>	<u>\$ 260,234</u>

Note 10 - Defined Benefit Pension Plans and Postretirement Benefits

Plan Description - The Police and Fire Retirement System is a single-employer defined benefit pension plan that is administered by the City of Ypsilanti Police and Fire Employees' Retirement System (the "System"); this plan covers all full-time police and fire employees of the City. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. The plan issues a publicly available financial report that includes financial statements and required supplementary information of the System. That report may be obtained by writing to the System at One South Huron Street, Ypsilanti, Michigan 48197.

Note 10 - Defined Benefit Pension Plans and Postretirement Benefits (Continued)

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by the City ordinances and State statute (P.A. 345) and requires a contribution from the employees of 10 percent of gross wages, with the exception of the fire chief, who must contribute 5 percent. The funding policy provides for periodic employer contributions at actuarially determined rates; the current rate is 14 percent of covered payroll.

Annual Pension Costs - The City was not required to make a contribution for the year ended June 30, 2003. The annual required contribution was determined as part of an actuarial valuation at June 30, 2002, using the entry actual age cost method. Significant actuarial assumptions used include: (a) 8 percent investment rate of return; (b) projected salary increases of 4.5 to 15.0 percent per year; and (c) 4.5 percent inflation. Both (a) and (b) are determined using techniques that smooth the effects of short-term volatility over a five-year period.

Reserves - As of June 30, 2003, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 4,029,827
Reserve for retirees' benefit payments	16,793,164

Trend information is as follows:

	Fiscal Year Ended June 30		
	2003	2002	2001
Police and Fire Retirement System			
Annual pension costs (APC)	\$ -	\$ 595,000	\$ 595,000
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Plan Description - The City also participates in the Michigan Municipal Employees' Retirement System (MMERS), an agent multiple-employer defined benefit pension plan that covers all full-time employees of the City not eligible for other retirement systems. The MMERS provides retirement, disability, and death benefits to plan members and their beneficiaries. The MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the MMERS. That report may be obtained by writing to the MMERS at 1134 Municipal Way, Lansing MI, 48917.

Note 10 - Defined Benefit Pension Plans and Postretirement Benefits (Continued)

Funding Policy - The obligation to contribute to and maintain the MMERS for these employees was established by City ordinances and requires a contribution from the employees of 3 percent of the first \$4,200 of annual compensation and 5 percent of compensation over \$4,200.

Annual Pension Costs - Due to the build-up of funding credits, the City was not required to make a contribution to the plan for the year ended June 30, 2003. This was determined as part of an actuarial valuation at December 31, 2002, using the entry age normal cost method. Significant actuarial assumptions used include: (a) an 8.0 percent investment rate of return; and (b) projected salary increases of 4.5 percent to 8.66 percent per year including 4.5 percent inflation. Both (a) and (b) are determined using techniques that smooth the effects of short-term volatility over a five-year period.

Three-year trend information is as follows:

	Fiscal Year Ended December 31		
	2002	2001	2000
Municipal Employees' Retirement System:			
Annual pension costs (APC)	\$ -	\$ -	\$ -
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
Actuarial value of assets	\$ 14,404,059	\$ 14,367,886	\$ 13,701,381
Actuarial accrued liability (AAL)	\$ 9,556,377	\$ 8,991,957	\$ 8,043,197
Overfunded AAL	\$ 4,847,682	\$ 5,375,929	\$ 5,658,184
Funded ratio	151%	159%	170%
Covered payroll	\$ 2,973,876	\$ 2,691,217	\$ 2,581,074

Note 11 - Joint Venture

The City is a member of the Ypsilanti Community Utilities Authority (YCUA), which provides water and sewer services to the residents of the City of Ypsilanti and Ypsilanti Township. The participating communities provide annual funding debt service payments based on contractual provisions. Therefore, the total amount due recorded in the government-wide statement of net assets is an estimate, based on historical payments made. During the current year, the City contributed approximately \$312,000 for its debt service. The City appoints members to the joint venture's governing board, who then approve the annual budget.

Complete financial statements for the YCUA can be obtained from the administrative offices at 2777 State Street, Ypsilanti, Michigan.

Note 11 - Joint Venture (Continued)

The City has issued various revenue bonds on behalf of YCUA. Proceeds from the issues are contributed to YCUA for various water and sewer improvements and construction. YCUA reimburses the City annually for debt service payments, with income derived from water and sewer use rates. The City has recorded a lease receivable for the principal balance of the bonds drawn to date by YCUA on its government-wide statement of net assets.

Note 12 - Other Postemployment Benefits

The City has elected to provide postemployment health benefits to certain retirees and their beneficiaries. The government pays the full cost of coverage for these benefits. Currently, 111 retirees are eligible for postemployment health benefits. For the fiscal year ended June 30, 2003, the City made payments for postemployment health benefit premiums of approximately \$681,000. The government obtains health care coverage through private insurers.

Note 13 - Land Held for Resale

The City is involved in a redevelopment project referred to as the Water Street Project. As a part of this project, the City is negotiating to acquire various parcels of land in the Water Street area, redevelop these parcels, and ultimately resell them. As of June 30, 2003, the City acquired numerous parcels, which are shown as land held for resale in the report. Acquisition costs are capitalized as well as other costs (legal, consulting, etc.) that are attributable and necessary for the project. The investment in land is stated on the report at fair value, based on assessed value of the property.

Note 14 - Accounting and Reporting Change

GASB No. 34

In June 1999, the Governmental Accounting Standards Board (GASB) issued statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The City has applied the provisions of this statement in the accompanying financial statements (including notes to the financial statements). The City has elected to implement both the general provisions of the statement and the retroactive reporting of the infrastructure in the current year. Certain significant changes in the statement include the following:

- A management's discussion and analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations

Note 14 - Accounting and Reporting Change (Continued)

- Financial statement prepared using full accrual accounting for all of the City's activities, including infrastructure (roads, sidewalks, etc.)
- A change in the fund financial statements to focus on the major funds
- Capital assets in the governmental activities column of the statement of net assets includes infrastructure assets (roads, sidewalks, etc.) not previously accounted for by the City as well as assets that would previously have been reported in the General Fixed Assets Account Group.
- Capital assets at July 1, 2002 previously reported in the General Fixed Assets Account Group have been adjusted by approximately \$20,066,000 to reflect the historical cost of the City's capital assets at that date.
- The governmental activities column includes bonds and other long-term obligations totaling over \$21,000,000 previously reported in the General Long-term Debt Account Group.

Note 15 - Subsequent Events

Subsequent to June 30, 2003, the City approved the issuance of \$4,400,000 of General Obligation Taxable Capital Improvement Bonds at interest rates ranging from 2.85 percent to 5.75 percent. The bonds are payable through May 1, 2024.

In addition, subsequent to year end, the City begin negotiations to purchase the Huron Trade Center from the Brownfield Redevelopment Authority Component Unit associated with the Water Street Project (see Note 13) for approximately \$2,200,000. The City will assume debt of approximately \$1,200,000 related to the Huron Trade Center payable through 2005. In addition, the City is in negotiations to purchase various properties associated with the project with estimated expenses estimated not to exceed \$5,000,000.

Finally, the City will be receiving \$6,085,000 in Drinking Water Revolving Funds at 2.50 percent subsequent to year end and will be contributing the funds to YCUA (see Note 11) for use in various construction and improvement projects. YCUA will repay the City as the bonds become due through the collection of water and sewage charges. The bonds are payable through October 1, 2023.

Required Supplemental Information

City of Ypsilanti, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Property taxes:				
Current taxes	\$ 8,167,000	\$ 8,153,370	\$ 8,123,622	\$ (29,748)
Payment in lieu of taxes	38,030	45,316	45,694	378
Penalties and interest	76,200	68,925	76,156	7,231
Total property taxes	8,281,230	8,267,611	8,245,472	(22,139)
State-shared revenue	3,812,350	3,449,562	3,451,016	1,454
Federal grants	73,741	191,121	80,186	(110,935)
State grants	75,700	65,461	84,129	18,668
Licenses and permits	638,400	521,432	553,615	32,183
Charges for services:				
State fire protection	250,000	155,318	155,318	-
Fines and costs	336,275	356,632	368,253	11,621
Recreation program fees	27,075	29,023	35,626	6,603
Parking fines	139,000	175,000	216,850	41,850
Total charges for services	752,350	715,973	776,047	60,074
Other revenue:				
Interest	74,900	75,000	82,413	7,413
Other	1,029,546	1,077,891	1,042,473	(35,418)
Total other revenue	1,104,446	1,152,891	1,124,886	(28,005)
Total revenue	14,738,217	14,364,051	14,315,351	(48,700)
Expenditures and Transfers				
General administration:				
City Council	124,145	125,275	130,220	(4,945)
City manager:				
Administration	237,424	229,953	220,854	9,099
Community services	1,250	1,956	1,456	500
City clerk:				
City clerk office	233,858	220,452	220,561	(109)
Elections/Voter registration	65,523	70,229	70,246	(17)
City attorney:				
General legal services	51,500	49,670	51,500	(1,830)
Ordinance prosecution	105,060	105,060	105,060	-
Litigation and appeals	242,000	242,000	228,655	13,345
Other legal	65,000	62,500	50,694	11,806

City of Ypsilanti, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Expenditures and Transfers (Continued)				
General administration (Continued):				
Finance:				
Accounting division	\$ 219,217	\$ 239,908	\$ 222,619	\$ 17,289
Assessing division	134,300	133,400	121,983	11,417
Treasury division	191,579	229,460	286,710	(57,250)
Personnel	170,615	167,012	166,607	405
Debt administration	320,260	320,260	312,036	8,224
Total general administration	2,161,731	2,197,135	2,189,201	7,934
Public safety:				
Police department:				
Administration	434,242	427,205	375,809	51,396
Field services	4,002,523	3,732,454	3,731,663	791
LAWNET Enhancement Grant	85,330	85,331	74,730	10,601
Forrest Knoll	123,409	123,411	108,598	14,813
Law Enforcement Block Grant	-	68,000	-	68,000
Domestic violence	41,641	35,813	38,509	(2,696)
Parking enforcement	94,230	94,230	84,591	9,639
School liaison contract	80,354	131,055	92,145	38,910
Fire department:				
Administration	227,820	229,770	224,419	5,351
Suppression	2,087,230	2,049,930	2,073,809	(23,879)
Ordinance enforcement	214,569	186,485	178,669	7,816
Building inspection	375,479	361,369	347,672	13,697
Total public safety	7,766,827	7,525,053	7,330,614	194,439
Community maintenance:				
Department of Public Works:				
Administration	512,994	490,564	533,792	(43,228)
Public properties	359,753	444,538	372,065	72,473
Street lighting	405,000	405,000	417,567	(12,567)
Environmental services	914,315	916,859	918,796	(1,937)
Total community maintenance	2,192,062	2,256,961	2,242,220	14,741

City of Ypsilanti, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Expenditures and Transfers (Continued)				
Culture and recreation:				
Community and Economic Development:				
Administration and planning	\$ 314,523	\$ 285,274	\$ 292,820	\$ (7,546)
Museum/Archives	-	-	6,739	(6,739)
Department of Public Works - Park maintenance	222,778	222,435	261,226	(38,791)
Recreation:				
Administration and planning	531,231	507,974	468,029	39,945
Rose Foundation Grant	-	7,964	8,333	(369)
Freight House Café	5,753	6,084	5,379	705
Total culture and recreation	1,074,285	1,029,731	1,042,526	(12,795)
Social services - Contractual services	175,000	174,930	174,930	-
Other expenditures:				
Insurance and fringes	880,030	894,655	853,329	41,326
Other	-	-	34,866	(34,866)
Total other expenditures	880,030	894,655	888,195	6,460
Contributions to component unit	25,800	25,800	94,226	(68,426)
Transfer to other funds	530,100	391,919	428,315	(36,396)
Total expenditures and transfers	14,805,835	14,496,184	14,390,227	105,957
Excess of Expenditures and Transfers Over Revenue	(67,618)	(132,133)	(74,876)	57,257
Fund Balance - Beginning of year	2,752,675	2,752,675	2,752,675	-
Fund Balance - End of year	<u>\$ 2,685,057</u>	<u>\$ 2,620,542</u>	<u>\$ 2,677,799</u>	<u>\$ 57,257</u>

City of Ypsilanti, Michigan

Required Supplemental Information Schedule of Funding Progress Police and Fire Retirement System Year Ended June 30, 2003

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
06/30/97	\$ 25,839,088	\$ 24,914,577	\$ (924,511)	103.7	\$ 3,564,118	(25.9)
06/30/98	27,766,480	25,708,661	(2,057,819)	108.0	3,776,037	(54.5)
06/30/99	30,351,193	27,010,112	(3,341,081)	112.4	3,855,156	(86.7)
06/30/00	32,440,367	26,204,216	(6,236,151)	123.8	3,728,601	(167.3)
06/30/01	34,479,264	26,933,083	(7,546,181)	128.0	3,813,904	(197.9)
06/30/02	34,970,658	27,899,273	(7,071,385)	125.3	3,858,409	(183.3)

The schedule of employer contributions is as follows:

Fiscal Years Ended June 30	Actuarial Valuation Date June 30	Annual Required Contribution	Percentage Contributed
1998	1996	\$ 526,112	100.0
1999	1997	545,090	100.0
2000	1998	529,048	100.0
2001	1999	477,827	100.0
2002	2000	-	100.0
2003	2001	-	100.0

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2002, the latest actuarial valuation follows:

Actuarial cost method	Individual entry age actuarial cost
Amortization method	Level percent
Remaining amortization period	10 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases*	4.5% to 15.0%
*Includes inflation at	4.5%
Cost of living adjustments	None

Other Supplemental Information

City of Ypsilanti, Michigan

	Nonmajor Special Revenue Funds					
	Major Streets	Local Streets	Retiree Benefits	Community Development Block Grant	Drug Forfeiture	Capital Improvement Reserve
Assets						
Cash and cash equivalents	\$ 1,349,572	\$ 673,325	\$ 468,597	\$ 712,496	\$ 594,319	\$ 341,917
Receivables:						
Special assessments	-	-	-	-	-	-
Accrued interest and other	-	2,852	-	-	-	-
Due from other funds	200,933	2,790	-	194,321	-	278,056
Due from other governmental units	162,939	50,193	-	-	-	7,746
Restricted assets	-	-	-	-	-	-
Total assets	\$ 1,713,444	\$ 729,160	\$ 468,597	\$ 906,817	\$ 594,319	\$ 627,719
Liabilities and Fund Balances (Deficit)						
Liabilities						
Accounts payable	\$ 2,899	\$ 43	\$ -	\$ 107,027	\$ -	\$ 2,065
Accrued and other liabilities	-	-	19,886	-	170,600	-
Due to other funds	-	-	-	221,741	-	239,743
Due to other governmental units	-	-	-	-	-	-
Deferred revenue	-	-	-	160,369	-	7,746
Total liabilities	2,899	43	19,886	489,137	170,600	249,554
Fund Balances (Deficit)						
Reserved:						
Unspent bond proceeds	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Unreserved, reported in:						
Special Revenue Funds	1,710,545	729,117	448,711	417,680	423,719	-
Debt Service Funds	-	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-	378,165
Total fund balances (deficit)	1,710,545	729,117	448,711	417,680	423,719	378,165
Total liabilities and fund balances (deficit)	\$ 1,713,444	\$ 729,160	\$ 468,597	\$ 906,817	\$ 594,319	\$ 627,719

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2003**

Nonmajor Capital Projects Funds

Sidewalk Improvement	2002 General Obligation Bonds - Roads	2001 General Obligation Bonds - Roads	2002-B Revenue Bonds - Water	2001 Revenue Bonds - Water	2003 General Obligation Water Capital Improvement Bonds	2003-B Water and Sewer Revenue Bonds	2003-C Water Supply and Sewer
\$ 219,623	\$ 10,000	\$ 3,311,175	\$ -	\$ -	\$ 1,634,885	\$ 1,367,352	\$ -
51,757	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	10,635	131,133	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	278,738	87,162	-
\$ 271,380	\$ 20,635	\$ 3,442,308	\$ -	\$ -	\$ 1,913,623	\$ 1,454,514	\$ -
\$ -	\$ 20,635	\$ 581,910	\$ -	\$ -	\$ -	\$ 34,431	\$ -
-	-	-	-	-	-	1,440	-
-	-	19,657	-	-	-	52,256	-
-	-	-	-	-	-	-	7,306
51,756	-	-	-	-	-	-	-
51,756	20,635	601,567	-	-	-	88,127	7,306
-	-	-	-	-	1,634,885	1,279,225	-
-	-	-	-	-	278,738	87,162	-
-	-	2,840,741	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
219,624	-	-	-	-	-	-	(7,306)
219,624	-	2,840,741	-	-	1,913,623	1,366,387	(7,306)
\$ 271,380	\$ 20,635	\$ 3,442,308	\$ -	\$ -	\$ 1,913,623	\$ 1,454,514	\$ -

City of Ypsilanti, Michigan

Nonmajor Debt Service Funds

	2001 General Obligations	2001 Revenue	2002 Revenue	2002 Capital Improvement	2002 General Obligation Capital Improvement	2002-B Revenue
	Bonds - Roads	Bonds - Water	Bonds - Water	Bonds	Bonds	Bonds - Water
Assets						
Cash and cash equivalents	\$ 96,763	\$ 11,064	\$ 4,795	\$ 490,309	\$ -	\$ 313
Receivables:						
Special assessments	-	-	-	-	-	-
Accrued interest and other	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due from other governmental units	-	-	-	-	-	-
Restricted assets	-	388,640	444,174	-	-	44,395
Total assets	\$ 96,763	\$ 399,704	\$ 448,969	\$ 490,309	\$ -	\$ 44,708
Liabilities and Fund Balances (Deficit)						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued and other liabilities	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Due to other governmental units	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
Fund Balances (Deficit)						
Reserved:						
Unspent bond proceeds	-	-	-	-	-	-
Debt service	-	388,640	444,174	-	-	44,395
Capital projects	-	-	-	-	-	-
Unreserved, reported in:						
Special Revenue Funds	-	-	-	-	-	-
Debt Service Funds	96,763	11,064	4,795	490,309	-	313
Capital Projects Funds	-	-	-	-	-	-
Total fund balances (deficit)	96,763	399,704	448,969	490,309	-	44,708
Total liabilities and fund balances (deficit)	\$ 96,763	\$ 399,704	\$ 448,969	\$ 490,309	\$ -	\$ 44,708

**Other Supplemental Information
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2003**

2002-C Water & Sewer Construction	Water Supply and Sewage Refunding Bonds	Total Governmental Funds
\$ 4,120	\$ 715	\$ 11,291,340
-	-	51,757
-	-	2,852
-	-	817,868
-	-	220,878
<u>611,413</u>	<u>281,466</u>	<u>2,135,988</u>
<u>\$ 615,533</u>	<u>\$ 282,181</u>	<u>\$ 14,520,683</u>
\$ -	\$ -	\$ 749,010
-	-	191,926
-	-	533,397
-	-	7,306
<u>-</u>	<u>-</u>	<u>219,871</u>
-	-	1,701,510
-	-	2,914,110
611,413	281,466	2,135,988
-	-	2,840,741
-	-	3,729,772
4,120	715	608,079
<u>-</u>	<u>-</u>	<u>590,483</u>
<u>615,533</u>	<u>282,181</u>	<u>12,819,173</u>
<u>\$ 615,533</u>	<u>\$ 282,181</u>	<u>\$ 14,520,683</u>

City of Ypsilanti, Michigan

Nonmajor Special Revenue Funds

	Major Streets	Local Streets	Retiree Benefits	Community Development Block Grant	Drug Forfeiture
Revenue					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
State-shared revenue	950,613	290,645	-	-	-
Federal grants	-	-	-	7,545	-
Other revenue	31,984	27,605	843,237	128,625	210,668
Total revenue	982,597	318,250	843,237	136,170	210,668
Expenditures					
General administration	-	-	394,526	-	-
Public safety	-	-	-	-	362
Community maintenance	-	-	-	-	-
Social services	-	-	-	23,050	-
Highways, streets, and bridges	626,341	492,267	-	-	-
Other	-	-	-	1,109,915	-
Debt administration	-	-	-	-	-
Total expenditures	626,341	492,267	394,526	1,132,965	362
Excess of Revenue Over (Under) Expenditures	356,256	(174,017)	448,711	(996,795)	210,306
Other Financing Sources (Uses)					
Transfers in	3,158	102,790	-	1,837	-
Transfers out	(100,000)	-	-	(833,051)	(37,474)
Contributions from YCUA	-	-	-	-	-
Contributions to YCUA	-	-	-	-	-
Proceeds from the issuance of debt	-	-	-	2,308,324	-
Total other financing sources (uses)	(96,842)	102,790	-	1,477,110	(37,474)
Net Change in Fund Balances (Deficit)	259,414	(71,227)	448,711	480,315	172,832
Fund Balances (Deficit) - Beginning of year	1,451,131	800,344	-	(62,635)	250,887
Fund Balances (Deficit) - End of year	<u>\$ 1,710,545</u>	<u>\$ 729,117</u>	<u>\$ 448,711</u>	<u>\$ 417,680</u>	<u>\$ 423,719</u>

**Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances (Deficit)
Nonmajor Governmental Funds
Year Ended June 30, 2003**

Nonmajor Capital Projects Funds

Capital Improvement Reserve	Sidewalk Improvement	2002 General Obligation Bonds - Roads	2001 General Obligation Bonds - Roads	2002-B Revenue Bonds - Water	2001 Revenue Bonds - Water	2003 General Obligation Water Capital Improvement Bonds	2003-B Water and Sewer Revenue Bonds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
45,912	-	-	-	-	-	-	-
<u>44,970</u>	<u>89,415</u>	<u>931</u>	<u>67,463</u>	<u>476</u>	<u>2,596</u>	<u>1,058</u>	<u>1,333</u>
90,882	89,415	931	67,463	476	2,596	1,058	1,333
186,187	-	-	8,893	-	-	-	-
-	-	-	-	-	-	-	-
361,739	65,986	460,726	3,179,778	-	-	87,435	134,937
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	9
<u>547,926</u>	<u>65,986</u>	<u>460,726</u>	<u>3,188,671</u>	<u>-</u>	<u>-</u>	<u>87,435</u>	<u>134,946</u>
(457,044)	23,429	(459,795)	(3,121,208)	476	2,596	(86,377)	(133,613)
449,036	-	86,948	-	-	-	-	-
(1,837)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	(276,979)	(492,460)	-	-
-	-	400,000	-	485,000	-	2,000,000	1,500,000
<u>447,199</u>	<u>-</u>	<u>486,948</u>	<u>-</u>	<u>208,021</u>	<u>(492,460)</u>	<u>2,000,000</u>	<u>1,500,000</u>
(9,845)	23,429	27,153	(3,121,208)	208,497	(489,864)	1,913,623	1,366,387
388,010	196,195	(27,153)	5,961,949	(208,497)	489,864	-	-
<u>\$ 378,165</u>	<u>\$ 219,624</u>	<u>\$ -</u>	<u>\$ 2,840,741</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,913,623</u>	<u>\$ 1,366,387</u>

City of Ypsilanti, Michigan

	Nonmajor Capital Projects Funds		Nonmajor Debt Service Funds		
	2003-C Water Supply and Sewer	2001 General Obligations Bonds - Roads	2001 Revenue Bonds - Water	2002 Revenue Bonds - Water	2002 Capital Improvement Bonds
Revenue					
Property taxes	\$ -	\$ 998,497	\$ -	\$ -	\$ -
State-shared revenue	-	-	-	-	-
Federal grants	-	-	-	-	-
Other revenue	-	-	386	1,409	6,248
Total revenue	-	998,497	386	1,409	6,248
Expenditures					
General administration	-	-	-	-	-
Public safety	-	-	-	-	-
Community maintenance	-	-	-	-	-
Social services	-	-	-	-	-
Highways, streets, and bridges	-	-	-	-	-
Other	-	-	-	-	-
Debt administration	-	967,025	193,571	260,938	135,353
Total expenditures	-	967,025	193,571	260,938	135,353
Excess of Revenue Over (Under) Expenditures	-	31,472	(193,185)	(259,529)	(129,105)
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	619,414
Transfers out	-	-	-	-	-
Contributions from YCUA	-	-	200,236	260,939	-
Contributions to YCUA	(7,306)	-	-	-	-
Proceeds from the issuance of debt	-	-	-	-	-
Total other financing sources (uses)	(7,306)	-	200,236	260,939	619,414
Net Change in Fund Balances (Deficit)	(7,306)	31,472	7,051	1,410	490,309
Fund Balances (Deficit) - Beginning of year	-	65,291	392,653	447,559	-
Fund Balances (Deficit) - End of year	\$ (7,306)	\$ 96,763	\$ 399,704	\$ 448,969	\$ 490,309

**Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances (Deficit) (Continued)
Nonmajor Governmental Funds
Year Ended June 30, 2003**

Nonmajor Debt Service Funds				
2002 General Obligation Capital Improvement Bonds	2002-B Revenue Bonds - Water	2002-C Water & Sewer Construction	Water Supply and Sewage Refunding Bonds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 998,497
-	-	-	-	1,241,258
-	-	-	-	53,457
<u>44</u>	<u>313</u>	<u>3,995</u>	<u>715</u>	<u>1,463,471</u>
44	313	3,995	715	3,756,683
-	-	-	-	589,606
-	-	-	-	362
-	-	-	-	4,290,601
-	-	-	-	23,050
-	-	-	-	1,118,608
-	-	-	-	1,109,915
<u>7,816</u>	<u>9,909</u>	<u>103,358</u>	<u>-</u>	<u>1,677,979</u>
<u>7,816</u>	<u>9,909</u>	<u>103,358</u>	<u>-</u>	<u>8,810,121</u>
(7,772)	(9,596)	(99,363)	715	(5,053,438)
7,772	-	611,413	-	1,882,368
-	-	-	-	(972,362)
-	54,304	103,483	281,466	900,428
-	-	-	-	(776,745)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,693,324</u>
<u>7,772</u>	<u>54,304</u>	<u>714,896</u>	<u>281,466</u>	<u>7,727,013</u>
-	44,708	615,533	282,181	2,673,575
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,145,598</u>
<u>\$ -</u>	<u>\$ 44,708</u>	<u>\$ 615,533</u>	<u>\$ 282,181</u>	<u>\$ 12,819,173</u>

City of Ypsilanti, Michigan

Other Supplemental Information Combining Statement of Net Assets Proprietary Funds - Internal Service Funds Year Ended June 30, 2003

	Motor Pool	Self-Insurance Workers' Compensation	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,890,564	\$ 1,185,154	\$ 3,075,718
Prepaid expenses and other assets	5,437	-	5,437
Inventory	12,595	-	12,595
Total current assets	1,908,596	1,185,154	3,093,750
Noncurrent assets - Capital assets	1,702,546	-	1,702,546
Total assets	3,611,142	1,185,154	4,796,296
Liabilities			
Current liabilities:			
Accrued and other liabilities	4,763	4,283	9,046
Current portion of long-term debt	22,530	131,500	154,030
Total current liabilities	27,293	135,783	163,076
Noncurrent liabilities - Long-term debt - Net of current portion	48,757	152,883	201,640
Total liabilities	76,050	288,666	364,716
Net Assets			
Investment in capital assets - Net of related debt	1,631,259	-	1,631,259
Unrestricted	1,903,833	896,488	2,800,321
Total net assets	<u>\$ 3,535,092</u>	<u>\$ 896,488</u>	<u>\$ 4,431,580</u>

City of Ypsilanti, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Proprietary Funds - Internal Service Funds Year Ended June 30, 2003

	Motor Pool	Self-Insurance Workers' Compensation	Total
Operating Revenue			
Equipment rental	\$ 1,377,937	\$ -	\$ 1,377,937
Other	-	199,964	199,964
Total operating revenue	1,377,937	199,964	1,577,901
Operating Expenses			
Salaries and fringes	97,248	-	97,248
Gas, oil, and fuel	74,647	-	74,647
Depreciation	402,527	-	402,527
Operation and maintenance	115,347	-	115,347
Contractual services and fees	104,710	131,292	236,002
Insurance, claims, and other	66,269	140,562	206,831
Total operating expenses	860,748	271,854	1,132,602
Operating Income (Loss)	517,189	(71,890)	445,299
Nonoperating Revenue (Expense)			
Interest income	19,201	20,239	39,440
Interest expense	(4,976)	-	(4,976)
Gain on disposal of assets	27,739	-	27,739
Total nonoperating revenue	41,964	20,239	62,203
Income (Loss) - Before transfers	559,153	(51,651)	507,502
Transfers from Other Funds	25,000	-	25,000
Change in Net Assets	584,153	(51,651)	532,502
Net Assets - Beginning of year	2,950,939	948,139	3,899,078
Net Assets - End of year	<u>\$ 3,535,092</u>	<u>\$ 896,488</u>	<u>\$ 4,431,580</u>

City of Ypsilanti, Michigan

Other Supplemental Information Combining Statement of Cash Flows Proprietary Funds - Internal Service Funds Year Ended June 30, 2003

	Motor Pool	Self-Insurance Workers' Compensation	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 1,377,937	\$ -	\$ 1,377,937
Payments to suppliers and vendors	(366,725)	(127,009)	(493,734)
Payments to employees	(92,485)	-	(92,485)
Internal activity - Payments to other funds	(3,937)	-	(3,937)
Claims paid	-	(116,413)	(116,413)
Other receipts	-	199,964	199,964
	<u>914,790</u>	<u>(43,458)</u>	<u>871,332</u>
Net cash provided by (used in) operating activities			
Cash Flows from Capital and Related Financing Activities			
Proceeds from sale of capital assets	32,687	-	32,687
Purchase of capital assets	(592,226)	-	(592,226)
Principal and interest paid on capital debt	(26,358)	-	(26,358)
	<u>(585,897)</u>	<u>-</u>	<u>(585,897)</u>
Net cash used in capital and related financing activities			
Cash Flows from Investing Activities - Interest received	19,201	20,239	39,440
Net Increase (Decrease) in Cash and Cash Equivalents	348,094	(23,219)	324,875
Cash and Cash Equivalents - Beginning of year	1,542,470	1,208,373	2,750,843
Cash and Cash Equivalents - End of year	<u>\$ 1,890,564</u>	<u>\$ 1,185,154</u>	<u>\$ 3,075,718</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities			
Operating income (loss)	\$ 517,189	\$ (71,890)	\$ 445,299
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Contributions from other funds	25,000	-	25,000
Depreciation and amortization	402,527	-	402,527
Changes in assets and liabilities:			
Due from other funds	3,133	-	3,133
Prepaid and other assets	(1,718)	-	(1,718)
Inventory	(4,034)	-	(4,034)
Due to other funds	(32,070)	-	(32,070)
Accrued and other liabilities	4,763	28,432	33,195
	<u>4,763</u>	<u>28,432</u>	<u>33,195</u>
Net cash provided by (used in) operating activities	<u>\$ 914,790</u>	<u>\$ (43,458)</u>	<u>\$ 871,332</u>